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Tobacco Industry Profile 1985

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All data for calendar year 1984, unless otherwise stated

Consumption

Total U.S. consumption including overseas armed forces was:

- **600 billion cigarettes**
- **3.5 billion large cigars and cigarillos**
- **1.3 billion little cigars**
- **29.7 million pounds of pipe and roll-your-own tobacco**
- **86 million pounds of chewing tobacco**
- **47.5 million pounds of snuff**

The output of cigarettes from U.S. factories was 668 billion. Of the total, 9.8 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 56.5 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, was 3,454. Record high was 4,345, in 1963.

Expenditures

U.S. expenditures for tobacco products were estimated at $30.7 billion, a record high and an increase of nearly $2 billion over 1983. More than $28.7 billion, or 93.6 percent of the money spent for tobacco products, was for cigarettes.

World Production

World production of tobacco was estimated at 6.12 million metric tons, a slight increase from 1983.

The leading leaf producing nations in 1984 were: People's Republic of China (1,500,000 metric tons), U.S. (786,700), India (450,000), Brazil (373,000), USSR (345,500), Turkey (210,000), Bulgaria (147,300), Italy (147,000), Greece (140,200), Japan (137,000), Indonesia (118,000), Zimbabwe (115,000), Burma (115,000) and Philippines (105,200).

U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on more than 200,000 farms in 23 American states and in Puerto Rico. The federal government issued 538,575 allotments to grow tobacco in 1984. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 797,400, up one percent from 1983, with a record high yield of 2,187 pounds per acre. The total U.S. harvest was 1.74 billion pounds, 22 percent above 1983.

A breakdown of tobacco grown in 1984 by type shows flue-cured, 865 million pounds; burley, 732 million; Southern Maryland, 38.9 million; fire-cured 53.6 million; dark air-cured, 18.1 million; and all cigar types, 36 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than a half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

Tobacco Sales

Nearly all of the nation's tobacco was sold at auction in 165 designated markets. The small remainder was sold directly from the farms or by farmers' cooperatives.

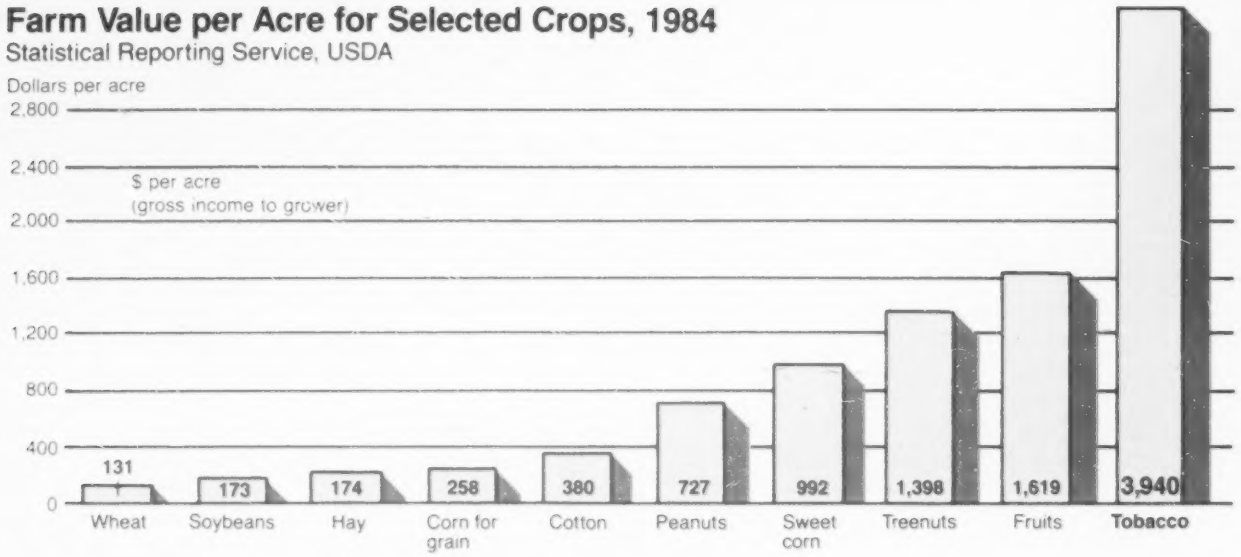
The average price of the 1984 crop was $1.81 per pound, a six-cent increase from 1983.

Crop Income

Tobacco was the sixth largest cash crop, behind corn, soybeans, hay of all kinds, wheat and cotton. The tobacco crop was worth more

Farm Value per Acre for Selected Crops, 1984

Statistical Reporting Service, USDA



than $2.8 billion, representing 2 percent of the total for all cash crops and farm commodities. Estimates of these cash receipts from the 1984 tobacco crop were:

	(millions of dollars)		
North Carolina	1,051	Florida	32
Kentucky	755	Maryland	32
Tennessee	250	Pennsylvania	21
Virginia	200	Connecticut	19
South Carolina	188	Wisconsin	18
Georgia	153	Missouri	10
Ohio	36	West Virginia	6
Indiana	32	Massachusetts	3

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota, New Mexico and the Commonwealth of Puerto Rico.

Manufacturing

Factories

In FY 1984, 124 factories in 19 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1984, 238 warehouses in 32 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 10 establishments in 6 states.

Employment

An estimated 64,800 persons were employed in tobacco manufacturing during 1984 on a monthly average basis, representing hundreds of millions in payroll dollars. The 49,000 on the production lines in the average month earned $438.40 a week for a 38.9 hour week.

Of all the manufacturing employees, about 70 percent, or approximately 45,300, were employed by cigarette manufacturers. Over two-thirds of the production workers, or 33,600 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacture, including stemming and redrying the leaf.

Distribution and Sales

Retail

An estimated 994,300 retail outlets distributed tobacco products. This included 701,760 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

Wholesale

Nearly 1,850 primary tobacco wholesalers with nearly 35,500 employees distributed tobacco products in 1982, the latest year available. Trade estimate of the 1984 wholesale value of tobacco products was $24.75 billion. Cigarettes accounted for about $23.3 billion, cigars about $550 million and chewing, pipe and roll-your-own tobacco and snuff approximately $900 million. Other smokers' articles, such as pipes, accounted for hundreds of millions more dollars.

Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment as well as services ranging from transportation to advertising

provided employment for additional millions and added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1984, about 31 percent of the U.S. crop was exported. In 1984, the value of U.S. exports of leaf and manufactured tobacco products was $2.7 billion, 2 percent above 1983. Imports were valued at approximately $636 million, down 22 percent. The difference represented a positive contribution of $2.07 billion to the U.S. balance of payments in calendar year 1984, a 13 percent increase from the previous year.

Leaf

Approximately 246,156 metric tons of unmanufactured leaf tobacco valued at more than $1.5 billion were exported. Leading markets for U.S. leaf were Japan, West Germany, Spain, Egypt, U.K. and Italy.

Imports of unmanufactured leaf totaled 188,757 metric tons—down 21 percent from 1983—and were valued at $558 million, a 25 percent decrease from 1983.

About 41 percent of the leaf imported, or 76,618 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Greece, Yugoslavia and Bulgaria.

Products

The value of exported manufactured products in 1984 was $1.2 billion, up slightly from 1983. The value of imported manufactured products, at $78 million, was up 5.4 percent.

Cigarettes

More than 56.5 billion cigarettes were exported in 1984 to 109 countries, down 7 percent in quantity from 1983. They were valued at $1.12 billion. The leading destinations were Belgium-Luxembourg, Hong Kong, Japan, Saudi Arabia, Lebanon, Singapore, and Egypt.

About 1,004 metric tons of foreign cigarettes valued at $12.6 million were imported.

Other Products

Cigar, cheroot and little cigar exports included 103.9 million units, valued at $7.6 million.

About 1,371 metric tons of foreign cigars and cheroots were imported with a value of $48 million.

Exports of pipe and roll-your-own tobacco in bulk increased nearly 17 percent to 4,207 metric tons with a value of $31.1 million, a 26 percent increase from 1983. Exports also included 1,162 metric tons of snuff and chewing tobacco worth $7 million—up 8 percent in quantity and 10 percent in value from 1983.

Imports of packaged smoking tobacco came to 1,814 metric tons valued at $17.1 million.

Shipping

Nearly 94 percent of all leaf tobacco exported was shipped from the East. The major custom district ports were:

	Metric Tons	Value (millions)
Norfolk	105,094	$644.0
Wilmington, NC	81,733	466.9
Baltimore	23,876	173.1
Charleston, SC	16,155	97.7
New Orleans	6,412	34.5
New York	2,866	19.4
Buffalo	2,043	5.1
Philadelphia	1,458	10.3
Los Angeles	1,394	11.9
San Juan	1,366	25.4

Cigarettes accounted for 94 percent of the value of manufactured tobacco products exported. The major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk	22.1	$461.1
San Francisco	10.6	190.4
Baltimore	9.7	200.6
Charleston, SC	3.0	53.4
Wilmington, NC	2.9	57.2
Los Angeles	2.3	43.5
Miami	1.9	36.8

Government Receipts from Taxes

Tobacco Taxes

About 33 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of excise and sales taxes. These totaled more than $10.1 billion in FY 1984 (ending June 30).

Federal, state and local governments collected nearly $9.4 billion alone in excises on all tobacco products in FY 1984. Cigarette taxes represented 99 percent, or $9.3 billion.

Federal, state and local excises on other tobacco products totaled $93.4 million.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over $175.2 billion in tobacco taxes. Cigarettes have accounted for 95.3 percent of that, or $166.9 billion.

Federal

The federal government's share was $4.8 billion. Cigarette taxes accounted for 99.1 percent. About $42.7 million in taxes was collected on other tobacco products.

State

All states imposed excises on cigarettes; 22 also taxed cigars and 21 taxed smoking or chewing tobacco, snuff or a combination.

The total revenue in FY 1984 was $4.4 billion, of which almost 99 percent was cigarette taxes. About $50.6 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 26 cents per pack.

Local

Tobacco taxes in 385 cities and counties yielded $179.8 million in FY 1984. Of that amount, $179.7 million, or 99.9 percent, was taxes on cigarettes. Thirty-two local governments also collected $141,702 on other tobacco products.

Government Tobacco Programs

Farm Quotas

USDA continued in 1984 to administer laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, favored marketing quotas. Because of the production controls, less tobacco was produced and prices were higher than would be likely without them.

Loans

With grower approval of marketing quotas for a tobacco type, price supports for it were mandatory. Under the program, the Commodity Credit Corporation (CCC) made loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handled and sold the tobacco, repaying loans as the tobacco was sold. The realized cost of the tobacco program since its start in 1933 was about .1 percent of the cost for all 13 farm commodity price support programs. In FY 1984, loan repayments totaled $448 million, while new loans totaled $795 million, which was expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

1982 Congressional revisions in the price support program—requiring tobacco farmers to pay into a fund to offset any losses—were designed to assure that its operation will be at no cost to the American taxpayer.

Grading

USDA's Agricultural Marketing Service (AMS) inspected and graded all tobacco before auction. Government grade standards were the basis for CCC loans. Beginning in FY 1982, tobacco farmers paid user fees for grading. In FY 1984, AMS collected $8.9 million from tobacco farmers. Daily market news reports informed growers of prices and market conditions. This service cost $464,000 in FY 1984.

Tobacco's Contribution to America's National Economy

In 1985, Chase Econometrics performed an analysis of the U.S. tobacco industry to determine its impact on America's economy during 1983.

This study showed the tobacco core sectors and supplier industries generated $31.5 billion of the Gross National Product in 1983 and employed 710,000 workers to produce and deliver tobacco products and associated goods and services.

The tobacco industry's spending-induced impact on America's GNP was $50.6 billion—nearly twice the expenditures on tobacco products alone. This money was generated by tobacco industry workers' expenditures on goods and services of other, non-tobacco, business sectors throughout the U.S.

The study showed, in 1983, tobacco industry activities in all 50 states resulted in:

	Core and Supplier	Spending-Induced
• GNP	$31.5 billion	$50.6 billion
• Jobs	710,000	1,590,000
• Compensation	$14.1 billion	$30.9 billion
• Capital Investment	$1.3 billion	$20.5 billion
• Federal, state and local taxes	$15.7 billion	$14.2 billion

Details of the study are available from The Tobacco Institute.

SOURCES: U.S. Department of Agriculture: Agricultural Marketing Service, *Annual Report on Tobacco Statistics, 1984, Tobacco Market Review 1984 Crop* and Financial Management Division; Agricultural Stabilization and Conservation Service, *Commodity Credit Corporation Inventory and Financial Report for Fiscal 1984*; Economic Research Service, *Tobacco Outlook and Situation*; Foreign Agricultural Service, *Foreign Agriculture Circular (Tobacco)*; Statistical Reporting Service, *Citrus Fruits 1984 Summary, Crop Production 1984 Summary, Crop Values 1982-1983-1984, Non Citrus Fruits and Nuts 1984 Mid-Year Supplement* and *Vegetables 1984 Annual Summary*.

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